

Perspectives
on
Income
Security

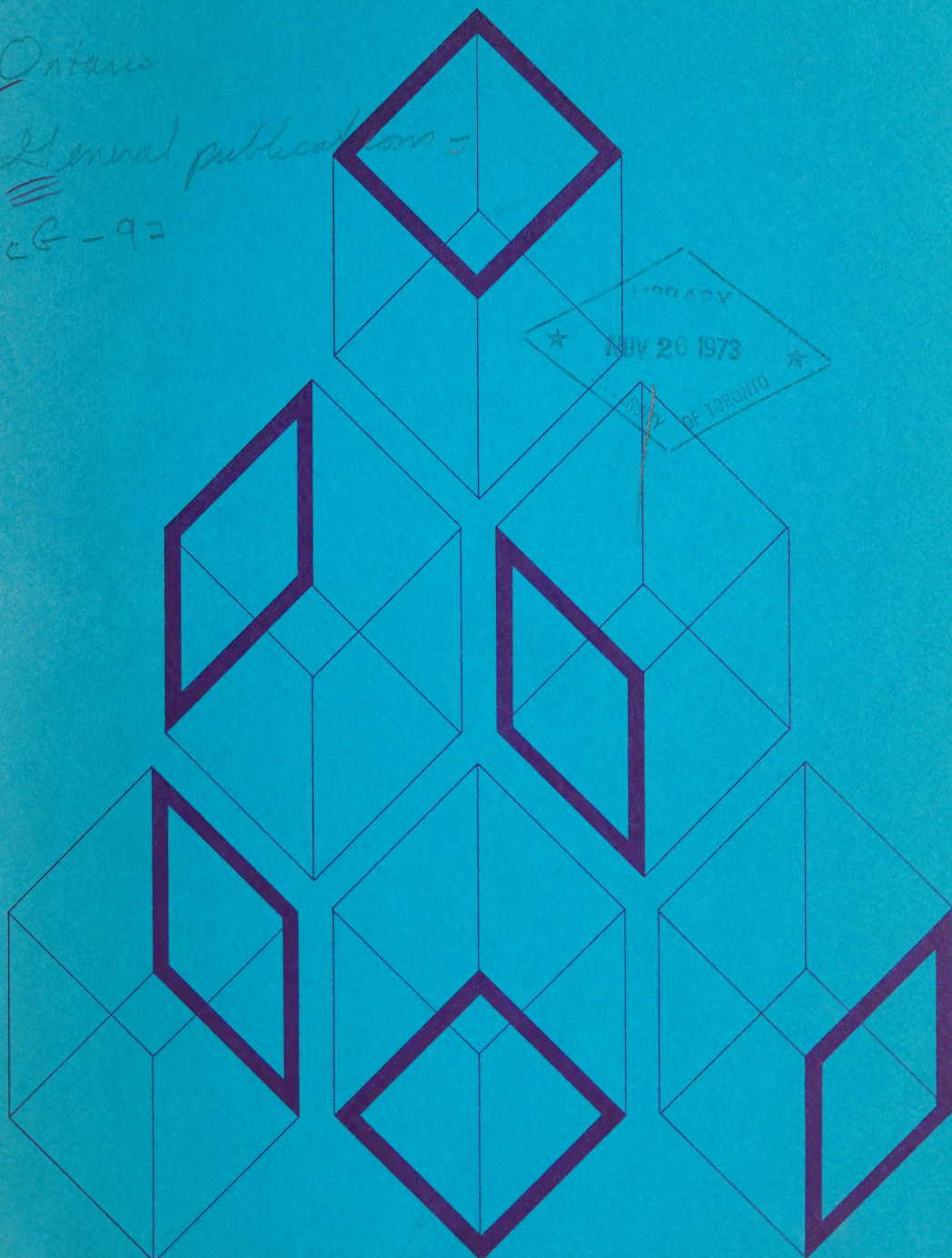
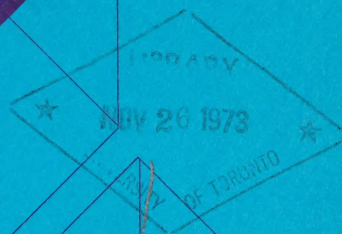
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Ministry of Community
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Preface

Ontario regards income security as an integral part of the aggregate distribution system. As such, it encompasses not only the readily identifiable social insurance and assistance programs, but also taxation, benefits in kind, services including certain types of training, employment creation programs, related subsidies and premium assistance, and the like.

The present income security system evolved in response to isolated problems but without a clearly defined and consistent set of goals. Major programs are now initiated by two levels of government, administered by three and fragmented among a myriad of departments, ministries and agencies. Improvements have been made, but the results of this uncoordinated approach is a system characterized by excessive categorization, gaps, overlaps, inequities, disincentives and contradictions.

Programs are too often designed for categories rather than people. Benefits are often arbitrarily determined and in many cases, fail to provide even a poverty level income. Inequities result from significant differences in levels of benefits and the type and method of the systems which deliver them. The working poor, for example, receive virtually no assistance, yet social assistance payments exceed the net income of families whose providers are working at or near the minimum wage. Disincentives to work, to save, or to provide for special needs are commonplace.

Failure to coordinate the tax and income security systems has resulted in benefits from some programs being taxed while others are exempt. Basic inequities are compounded because the definition of income varies from one program to another.

Stigma and dependency are by-products of parts of the present income security system: the lack of coordination, inadequate benefit levels, inequities and disincentives combined with the manner of delivery tend to undermine individual dignity.

In periods of full employment, when jobs for secondary wage earners are readily available and only the minimum number of people require social assistance, the inadequacies of the system remain but are less visible. When the economic situation is less favourable, the need for a major overhaul is thrown into sharp relief.

The current discussions provide a valuable opportunity to initiate the first significant step in this direction.

The task is an extremely complex one. Ontario clearly recognizes the inter-related and complex nature of the present problems. Their existence in such diverse areas as jurisdiction, finance, administration, social structure and human behaviour, virtually precludes the possibility of their immediate elimination. But Ontario feels strongly that an improved structure can and must be developed as quickly as possible.

Ontario welcomes the Federal initiative in identifying characteristics of a model social security system. These will be studied and responded to in detail as their implications are clarified.

In Ontario's view, the following six basic principles represent a foundation on which a more effective income security system can be developed. They also provide a means of evaluating all proposed policy changes and can serve as a yardstick in the discussion and analysis of the recent Federal proposals.


Perspectives

Employment is, and will continue to be, the primary source of income in our society and most Canadians view employment as the proper means of supporting themselves and their dependents. Consequently, the government is expected to ensure an environment which provides every reasonable opportunity for gainful employment and, in turn, society expects all individuals who are capable of employment to be self-sufficient.

But it must be recognized that some Canadians, through no fault of their own, are effectively outside the labour force, involuntarily unemployed or even fully employed at wages which are inadequate for their needs. For these persons, a meaningful and just income security system must be devised.

The present income security structure has not been developed as a comprehensive system and, as a result, suffers from gaps, inconsistencies and inequities. There is now a major opportunity to review and redesign this system. However, the creation of a comprehensive and flexible system which will meet current and future needs is an extremely complex task. It cannot be attained by a series of quick modifications and adjustments which further complicate an overly elaborate structure.

The evolution of a new structure must be based on sound principles. The full implications of these principles will not be immediately attainable and, as trade-offs between them are inevitable, some cannot be completely implemented. However, unless meaningful principles are applied in the development of a comprehensive income security system, differences in jurisdictional responsibility, separately conceived programs, unclear or ill-defined objectives will merely result in the replacement of one inadequate and overly elaborate system with another.



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Principles for the

development of an integrated
income security system

1. Co-operation

1.1 The evolution of an effective income security system for Canada is directly dependent upon joint Federal-Provincial action and commitment to the attainment of a major social goal.

1.2 Comprehensive reform must be preceded by general agreement between Federal and Provincial authorities in relation to:

- the overall goal
- target groups
- priorities
- strategies
- program objectives

1.3 Joint Federal-Provincial planning and development must not preclude any province from modifying the income security structure to meet specific social problems, priorities, and the like, providing that any modification is consistent with the overall goal.

1.4 Planning and development of the income security system must take place in the context of:

- a) overall social and economic planning.
- b) aggregate distribution, including taxation, transfers in kind, job creation programs, and the like.

2. A Realistic Approach to Needs

2.1 The development of meaningful and adequate minimum needs standards is essential. Standards must be developed and implemented in a manner which:

- a) recognizes that needs are a function of individual family circumstances rather than categorical definition;
- b) provides for participation in the life of the community;
- c) differentiates between:
 - the current minimum expenditure requirements of those persons who are temporarily displaced from the labour force;
 - the long-term comprehensive needs of those persons who are outside the labour force; and
 - special needs which pertain to specific circumstances;
- d) recognizes that needs may take many forms, such as cash, employment, services, and goods in kind;
- e) acknowledges regional variations in living costs;
- f) ensures regular review and adjustment.

2.2 The incomes of those persons who are:

- a) fully employed;
- b) deemed to be outside the labour force;
- c) employable but for whom employment is not available, should not be allowed to fall below their minimum standards.

2.3 No one should be taxed on that portion of income which is below the needs level.

3. Equity

The income security system must be based on an equitable relationship between those elements of society which are affected by it, including:

a) *An equitable relationship between target groups*
–for example, between those persons who are:
–outside the labour force;
–employable but unable to find work; and
–fully employed in very low income occupations.

b) *An equitable relationship within target groups*
–for example, between persons in the same target group who:
–have the same level of need;
–have different levels of need;
–respond to incentives as opposed to those who do not.

c) *An equitable relationship between those who receive benefits in any form and those who do not.*

4. Incentives

4.1 Persons who are capable of employment are expected to support themselves. Accordingly, income security programs which affect them must be designed in a manner which:

- a) minimizes built-in disincentives;
- b) incorporates employment incentives.

4.2 No fully employed person whose income is less than his minimum needs standard should have to give up his job to qualify for assistance.

4.3 For those persons who are capable of employment, work must always be more financially rewarding than welfare.

5. Taxation

The inter-relationship between the personal income tax and transfer systems must be fully recognized and they must be as closely integrated as possible, for example:

- a) all benefits in cash or in kind (such as housing subsidies) should be included in both the tax base and the income security base;
- b) benefits should not be provided through a separate transfer system if they can be delivered with equal or greater effectiveness through the personal tax system;
- c) all income security measures should be evaluated in terms of their potential impact on the taxation system and vice versa.

6. Respect for the Individual and the Family

The system must:

- a) respect the dignity and integrity of the individual and the family;
- b) encourage and reward initiatives toward Independence and responsibility;
- c) ensure full legal rights;
- d) avoid discriminatory provisions.

Major Design Criteria

The Income Security System must be structured in a manner which reflects the basic principles. The following criteria have been designed to complement the principles.

1. General Criteria

1.1 Canada's income security system should be designed in a manner that:

- a) employs the minimum feasible number of programs;
- b) ensures comprehensive coverage;
- c) provides the highest possible degree of compatibility of program characteristics such as:
 - definitions of income, family unit, etc.
 - accounting periods
 - benefit levels
 - program escalation features;
- d) co-ordinates and rationalizes coincident programs to ensure that the combined impact of two or more programs does not result in substantial disincentives to either employment or increased earnings;
- e) facilitates co-ordination at the delivery level;
- f) delivers the form of assistance most appropriate to the needs of the recipient and in the simplest manner possible;
- g) concentrates benefits in the hands of lower income groups.

1.2 The objectives of individual programs must:

- a) be compatible with, and subordinate to, the overall goal and objectives of the income security system;
- b) be clearly expressed;
- c) be reflected in the legislation, delivery and administration;
- d) have primacy over administrative expediency;
- e) be subject to continuing review as to relevancy and effectiveness.

1.3 Discretionary provisions should only be used when individual special circumstances dictate, and not as a substitute for guaranteeing rights in legislation and regulations.

2. Social Insurance

2.1 Social insurance programs should be designed to:

- a) ensure the broadest possible coverage, consistent with program objectives;
- b) allow participants the option of contributing to a maximum level, where appropriate;
- c) ensure progressive financing;
- d) ensure that implicit transfers are equitably distributed in relation to both the social and insurance principles implicit in the program.

